

## Message Text

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PAGE 01 NAIROB 03353 251419Z

44

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 PM-03 L-02 NSC-05 CIAE-00 DODE-00

INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02 CIEP-01

OMB-01 TRSE-00 AID-05 OPIC-03 XMB-02 CAB-02 COME-00

DOTE-00 FAA-00 /055 W

----- 044589

P 251320Z APR 75

FM AMEMBASSY NAIROBI

TO SECSTATE WASHDC PRIORITY 2522

INFO AMEMBASSY DAR ES SALAAM PRIORITY

LIMITED OFFICIAL USE NAIROBI 3353

E.O. 11652: N/A

TAGS: EAIR, PFOR, KE, TZ, UG

SUBJECT: EAST AFRICAN AIRWAYS AND COMMUNITY IN  
CRISIS

REF: DAR 1069

1. JOINT MEETING OF FINANCE AND COMMUNICATIONS  
COUNCILS OF EAST AFRICAN COMMUNITY (EAC) CANCELLED  
YESTERDAY WHEN UGANDAN DELEGATES REFUSED TO ATTEND.  
MEETING IN NAIROBI WAS TO HAVE ARRANGED TRANSFERS  
OF FUNDS AMONG THREE PARTNER STATES SO THAT EAST  
AFRICAN AIRWAYS (EAA) COULD PAY FUEL BILLS BEFORE  
MIDNIGHT SATURDAY, APRIL 26, WHICH IS DEADLINE SET  
BY PETROLEUM COMPANY FOR CUTOFF OF SUPPLIES.

2. AS EAA WILL HAVE TO GIVE AT LEAST 24 HOUR NOTICE  
TO OTHER AIRLINES OF CESSATION OF OPERATIONS (WHICH  
CUTOFF OF FUEL SUPPLIES IN EAST AFRICA WOULD PRO-  
DUCE), EFFECTIVE DEADLINE FOR SOLUTION TO CRISIS IS  
EARLY EVENING TODAY, FRIDAY, APRIL 25. SEVERAL  
MEETINGS IN RECENT WEEKS, INCLUDING A948) 14 MEETING  
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PAGE 02 NAIROB 03353 251419Z

BETWEEN PRESIDENTS KENYATTA AND NYERERE, HAVE

ADDRESSED TRANSFER PROBLEM WITHOUT SUCCESS. WITH NO OTHER MEETINGS SCHEDULED FOR TODAY OR TOMORROW, HIGH LEVEL EAA OFFICIALS DOUBT SOLUTION WILL COME IN TIME AND THEREFORE EAA WILL CEASE OPERATIONS.

3. EAA OFFICIAL MADE POINT OF EMPHASIZING THAT OTHER EAC CORPORATIONS HAVE SAME PROBLEM AS EAA AND THAT CORPORATION IS NOT BANKRUPT AS AMPLE FUNDS AVAILABLE IN BANK DEPOSITS IN THREE COUNTRIES BUT GOVERNMENTS REFUSE TO PERMIT TRANSFER WITHIN COMMUNITY. THUS EAA CANNOT TRANSFER FUNDS FROM UGANDA AND TANZANIA TO NAIROBI HEADQUARTERS WHERE MAJOR BILLS MUST BE PAID. REVENUE GENERATED BY INTERNAL KENYAN ROUTES AND INTERNATIONAL ROUTES ORIGINATING IN KENYA IS INSUFFICIENT TO COVER ALL OF EAA BILLS.

4. ACCORDING TO EAA OFFICIALS, IN PAST TWO WEEKS GOK HAS PROPOSED THREE TIMES TO FINANCE EAA IF EAA IMMEDIATELY STOPS SERVICE TO TANZANIA AND UGANDA. EAA HAS REFUSED OFFER BY STATING IT A EAC CORPORATION AND ONLY EAC COULD MAKE SUCH A DECISION. EAA HAS, HOWEVER, EXAMINED PROFITABILITY OF PROPOSED ARRANGEMENT AND FOUND IT FEASIBLE. EAA OFFICIALS FEELS THAT IF LACK OF TRANSFERABILITY WERE TO FORCE CESSATION OF OPERATIONS OF EAA, GOK WOULD UNILATERALLY IMPOSE ITS PROPOSAL ON EAA, IN EFFECT TAKING OVER AIRLINE.

5. COMMENT: EAC HAS GONE FROM CRISIS TO CRISIS FOR LAST SEVERAL YEARS BUT THIS COULD BE THE BIG ONE. IF GOK WERE TO TAKE OVER EAA, WHICH IT MAY BE FORCED TO DO TO MAINTAIN OPERATIONS, TEMPTATION FOR RETALIATION IN TANZANIA AND UGANDA MAY BE TOO STRONG TO RESIST. MOST LIKELY FORM OF RETALIATION WOULD BE ATTACHMENT OF EAA ASSETS IN THOSE COUNTRIES AND POSSIBLY OF OTHER EAC CORPORATIONS AS WELL. SUCH A DEVELOPMENT WOULD NOT BE AS EASY TO PAPER OVER OR IGNORE AS HAVE BEEN PREVIOUSLY

ERA-COMMUNITY DIS-  
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PAGE 03 NAIROB 03353 251419Z

MARSHALL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, FINANCIAL STABILITY, AIRLINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 APR 1975  
**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** woolfhd  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
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**Film Number:** D750146-0053  
**From:** NAIROBI  
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